

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:487

ANSWERED ON:29.04.2005

VAT IMPLEMENTATION

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Will the Minister of FINANCE be pleased to state:

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- (a) whether Value Added Tax (VAT) has come into effect from April 1, 2005;
- (b) if so, details of the States which have implemented the scheme;
- (c) whether problems have arisen due to implementation of VAT;
- (d) if so, details thereof, State-wise alongwith action taken by the Union Government thereon;
- (e) the steps taken by the Government to deal with States which have not implemented VAT system, State-wise;
- (f) whether traders are on agitation in various States as a result of implementation of the system;
- (g) if so, the details thereof alongwith action taken/proposed to be taken by the Government;
- (h) the time by which VAT will be implemented throughout the country; and
- (i) the likely change in revenue collection under the new system?

Answer

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM):

(a) (i) 20 States/Union Territories have implemented VAT with effect from 1st April, 2005, The State of Haryana has already implemented VAT with effect from 1st April, 2003. Thus, 21 States/Union Territories have implemented VAT. A statement indicating the status of implementation of VAT by States/Union Territories is enclosed.

As VAT is a tax intended to replace the State Sales Tax, it is a State subject. The Central Government is only playing the role of a facilitator in this tax reform process jointly undertaken by the States. An Empowered Committee of State Finance Ministers was set up to decide on all issues relating to implementation of State level VAT. Therefore, the Empowered Committee has to take steps to resolve the problems, if any, which have arisen due to introduction of VAT. Moreover, the Central Government shall continue to play the role of a facilitator to assist the States in implementation of VAT where it is yet to be implemented. It is true that a section of the trading community is agitating against VAT. The Empowered Committee is seized of the issue and is looking into their genuine problems/concerns. In addition, the Empowered Committee has launched a publicity campaign to inform and educate the trading community about the benefits of VAT system in order to dispel their misgivings about VAT.

4. possible to predict the revenue collection under the VAT system at this stage. However, the State of Haryana, which implemented VAT w.e.f. 1st April, 2003 has reported increase in revenue as a result of switch over to VAT. Moreover, international experience also corroborates that VAT is revenue enhancing.

Statement

Status of Implementation of VAT by States/UTs

Sl. No.	Name of State/UT	Status
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1.	2.	3.
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1. Haryana VAT introduced earlier
w.e.f. 01 April, 2003.
2. Andhra Pradesh VAT implemented w.e.f.
01 April 2005.
3. West Bengal
4. Kerala
5. Karnataka
6. Orissa
- 7 NCT of Delhi
8. Tripura
9. Bihar
10. Arunachal Pradesh
11. Sikkim
12. Punjab
13. Goa
14. Mizoram
15. Nagaland
16. Dadra and Nagar Haveli
17. Daman and Diu
18. Jammu and Kashmir
19. Manipur
20. Maharashtra
21. Himachal Pradesh
22. Assam VAT to be introduced shortly.
23. Meghalaya
24. Chandigargh
25. Pondicherry
26. Andaman and Nicobar Islands No sales tax/VAT.
27. Lakshadweep

28. Uttar Pradesh States which have declined to introduce VAT at this stage.

29. Tamil Nadu

30. Uttaranchal

31. Rajasthan

32. Gujarat

33. Madhya Pradesh

34. Chhattisgarh

35. Jharkhand